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Department:  
Provincial and Local Government  
**REPUBLIC OF SOUTH AFRICA**

## **Municipal Infrastructure Grant**

# **NATIONAL MIG MANAGEMENT UNIT PROGRAMME MANAGEMENT PROCESSES AND PROCEDURES**

Note: The Management processes and procedures document is a working document to be revised as and when required.

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## ABBREVIATIONS

The following abbreviations are used throughout this document.

BAS	:	Basic Accounting System
CETA	:	Construction for Education Authority
DME	:	Department of Minerals and Energy
DoH	:	Department of Housing
DORA	:	Division of Revenue Act
DoT	:	Department of Transport
DPLG	:	Department of Provincial and Local Government
DPW	:	Department of Public Works
DWAF	:	Department of Water Affairs and Forestry
EMM	:	Executive Manager MIG
EPWP	:	Expanded Public Works Programme
GIS	:	Geographical Information System
IDP	:	Integrated Development Plan
IIF	:	Infrastructure Investment Framework
IT	:	Information Technology
KPIs	:	Key Performance Indicators
LGCB	:	Local Government Capacity Building Grant
LIC	:	Labour Intensive Construction
MIIF	:	Municipal Infrastructure Investment Framework
MIS	:	Management Information System
MITT	:	Municipal Infrastructure Task Team
NQF	:	National Qualification Framework (SETA – Sector for Education Training Authority)
O&M	:	Operation and Maintenance
PMITT	:	Provincial Municipal Infrastructure Task Team
PMM	:	Provincial Manager MIG
PPMU	:	Provincial Programme Management Unit
PMU	:	Project Management Unit
SMF	:	Senior Manager Finance
SMIF	:	Special Municipal Infrastructure Fund
SMM	:	Senior Manager MIG
SMME	:	Small, Medium and Micro Enterprises

## 1. INTRODUCTION

The purpose of this guideline document is to create conformity and to regulate the MIG programme management processes and procedures.

The national MIG management unit's main responsibility is the administration of MIG funds and therefore will have to implement the following management processes and procedures across all spheres of government:

- Communication, documentation and information flows generic to all sectors and departmental policies
- Generic reporting mechanism, formats and procedures
- MIG national fund administration system
- MIG management information system (MIS).

The planning process for Municipal Infrastructure Investment framework (MIIF) is not covered in this document.

This document is work in progress and will be updated as and when the environment or/ conditions change.

## 2. PRINCIPLES AND OBJECTIVES OF THE MUNICIPAL INFRASTRUCTURE GRANT

### 2.1 KEY PRINCIPLES

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- a) **Focus on infrastructure required for a basic level of service:** The MIG programme is aimed at providing only basic infrastructure.
- b) **Targeting the poor:** The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- c) **Maximising economic benefits:** The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.

- d) **Equity in the allocation and use of funds:** The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.
- e) **Decentralisation of spending authority within national standards:** Decisions relating to the prioritisation of municipal infrastructure spending, such as the identification, selection and approval of projects, are best undertaken at municipal level, with the following provisions:
- the operating finance and management arrangements must be in place;
  - a degree of national and provincial influence over capital spending, expressed through clear norms, standards and spending conditions must be retained; and
  - unintended consequences should be limited: the grant must promote sound management practices, not the reverse.
- f) **Efficient use of funds:** Funding must be used to provide the greatest possible improvement in access to basic services at the lowest possible cost. This implies the following:
- There should be an appropriate selection of service levels.
  - Incentives and conditions must ensure that other funds are mixed with grant funds to minimise leakage to non-eligible households and service levels.
  - The mechanism to disburse funds should be simple and easy to monitor, and the outcomes of municipal spending should be easy to evaluate.
- g) **Reinforcing local, provincial and national development objectives:** This implies the following:
- The funding mechanism must be consistent with the planning processes of local, provincial and national government.
  - Nodal municipalities associated with the Urban Renewal Strategy and the Integrated Sustainable Rural Development Programme must receive proportionally greater allocations of funding.
  - Spatial integration must be promoted.
  - The emphasis placed on the selection of appropriate service levels.
  - The formula should promote appropriate municipal performance relative to policy objectives.
- h) **Predictability and transparency:** Funds should be provided to individual municipalities on a three-year basis, consistent with medium term budgeting practice, with minimal in-year changes and with year to year changes based only on clearly defined conditions. It is also essential for municipalities and other stakeholders to easily understand how the funds are distributed.

## **2.2 MIG PROGRAMME OBJECTIVES**

National government provides infrastructure subsidies to ensure that all households have access to a basic level of infrastructure services. The benefits of this intervention are well known, particularly in relation to the public good characteristics of many municipal services.

In the context of the principles outlined above, the key objectives of the Municipal Infrastructure Grant are to:

- a) fully subsidise the capital costs of providing basic services to poor households: this implies that priority must be given to meeting the basic infrastructure needs of poor households, through the provision of appropriate bulk, connector and internal infrastructure in key services;
- b) distribute funding for municipal infrastructure in an equitable, transparent and efficient manner, which supports a co-ordinated approach to local development and maximises developmental outcomes;
- c) assist in enhancing the developmental capacity of municipalities, through supporting multi-year planning and budgeting systems; and
- d) provide a mechanism for the co-ordinated pursuit of national policy priorities with regard to basic municipal infrastructure programmes, while avoiding the duplication and inefficiency associated with sectorally fragmented grants.

## **3. INSTITUTIONAL ARRANGEMENTS**

### **3.1 AT MUNICIPAL SPHERE – THE DEVOLUTION OF RESPONSIBILITY TO THE LOWEST LEVEL**

The MIG is a conditional grant to municipalities, and thus the management of the grant at municipal level must occur within the planning, budgeting, financial management and operational arrangements in this sphere. Effective management and utilisation of capital funding, falls within the responsibility of the Municipal Manager.

Government, through the MIG programme, will therefore assist municipalities in the development of appropriate capital programme management capacity, typically achieved through the appointment of project management units (PMUs) within municipalities. PMUs will be accountable to the council and management structure of the municipality in which they are established. However, they will be supported and monitored by the national MIG unit and by the Provincial Programme Management Units.



Effective area-based, service sector and project planning is central to the success of a municipality's infrastructure investment programme. The MIG programme promotes the creation of an enabling environment through the devolution of responsibility to the lowest possible level and has two dimensions:

- Devolution of the project management function, which implies the establishment of a PMU within a municipality to ensure that there is 'sufficient capacity' to undertake the function.
- Devolution of responsibility for control of the funds, with associated accounting responsibility and the requirement to contract with consultants and contractors, with the associated legal implications.

### **3.2 AT PROVINCIAL SPHERE**

All national departments and their provincial counterparts retain their policy making and regulatory functions which cover the full range of municipal activity: governance, administration, planning, projects and operations. Furthermore, the departments and provinces retain their constitutional right to intervene directly in the affairs of municipalities. (Reference: Constitution of RSA Act 108 of 1996)

Within the context of the MIG strategies, the provincial departments, through the provincial programme management units, will continue to be held responsible for supporting and developing appropriate municipal planning capabilities. The MIG programme will integrate with these sectoral planning initiatives through ensuring that:

- The MIG programme is properly integrated with municipal IDPs;
- Planning for regional scale infrastructure is guided by provincial government, working in conjunction with the municipalities and their PMUs;
- The municipal PMUs are supported in their function of overseeing project feasibility studies within the municipalities they serve, as part of the municipal planning process.

The following matrix details the specific roles, functions and responsibilities of each sphere of government.

### **3.3 RESPONSIBILITY MATRIX**

The role and responsibilities of the various role-players are as follows:

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MUNICIPAL SPHERE – Including Project Management Units (PMU)			
	Outputs	Activities	Indicators
	Financial Management:	<ul style="list-style-type: none"> <li>The PMU is responsible for the administration and financial management of MIG funds, within the municipal and national accounting systems for infrastructure projects of the municipality and any other municipalities where the PMU has been delegated this authority.</li> <li>The PMU is responsible for the compliance of all conditions contained in the Division of Revenue Act framework (DORA) relating to all funding mechanisms.</li> <li>The PMU is directly responsible for the reconciliation and timely submission of all DORA reporting and adhoc reporting as and when required.</li> <li>Final compilation of monthly, quarterly, bi-annual and annual reports to the MIG Manager</li> <li>Monitor the consolidated cash flow performance reports on each projects and on the regional programme collectively</li> <li>Verify and reconcile quarterly transfers from National to the DMs and LMs</li> <li>Audit and administer the monthly claims and expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Expenditure reports</li> <li>Municipal financial reports</li> </ul>
	Project Identification and Prioritisation	<ul style="list-style-type: none"> <li>The co-ordination of the project identification and prioritisation process for municipalities served by the PMU, whilst ensuring proper integration of the respective IIF's and IDP's with the appropriate input from the various other government line function departments to ensure synchronised service delivery.</li> <li>Ensure that municipalities have the resources to operate and maintain the project throughout the project lifecycle.</li> <li>Ensure that municipalities budget for the capital replacement or rehabilitation costs thereafter.</li> <li>The feasibility process necessitates that due consideration be given to the feasibility of the project in terms of: <ul style="list-style-type: none"> <li>Provincial and regional growth strategies</li> <li>Integrated regional-level infrastructure planning and technical feasibility of the projects.</li> <li>Infrastructure backlog studies.</li> <li>Labour Intensive Projects (EPWP Guidelines for labour intensive construction).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>IDP</li> <li>Sector Plans</li> <li>Provincial / Regional Infrastructure investment plans</li> <li>Backlog studies</li> <li>Contribution to Labour Intensive Projects (EPWP)</li> <li>PGDS</li> </ul>
	Special Municipal Infrastructure Fund	<ul style="list-style-type: none"> <li>The co-ordination of SMIF project applications; in support of innovation in the provision of infrastructure</li> <li>Also in terms of cost effective regional-level infrastructure solutions involving a number of municipalities.</li> </ul>	<ul style="list-style-type: none"> <li>SMIF Business Plans</li> <li>Regional Infrastructure Investment plan</li> <li>Technical studies supporting innovation</li> </ul>
	Programme / Project Management:	<p>The PMU will be responsible for the management of the local infrastructure programme (municipal scale) as well as physical project implementation activities while ensuring that:</p> <ul style="list-style-type: none"> <li>All projects meet overall planning objectives and specific key performance indicators as determined by the MIG Unit.</li> <li>The co-ordination of regular progress meetings at local level and representation at the national progress meetings.</li> <li>The associated project management administrative functions from project registration, evaluation through to final project completion reports.</li> <li>Project manage the labour-intensive projects in line with the EPWP framework and the related reporting requirements</li> <li>Conduct site-visits / meetings to ensure compliance to the Project Registration form and the Letter of Acceptance.</li> <li>Manage cash flows and committed project expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Site visit reports</li> <li>Key performance indicator</li> <li>Performance reports</li> </ul>

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MUNICIPAL SPHERE – Including Project Management Units (PMU)				
Outputs	Activities			Indicators
Monitoring Database:	<ul style="list-style-type: none"> <li>The PMU will be responsible for the (IT) management of the monitoring database and the preparation of all necessary reports to municipal and the relevant provincial and national departments.</li> <li>Generation of Registration forms/ Business plans / Feasibility studies</li> <li>Data capture, updating and replication of all data and KPIs</li> </ul>			<ul style="list-style-type: none"> <li>National MIG Information System (MIS)</li> </ul>
Administration / Contract Administration	<ul style="list-style-type: none"> <li>The co-ordination of SMIF project applications; in support of innovation in the provision of infrastructure</li> <li>Also in terms of cost effective regional-level infrastructure solutions involving a number of municipalities.</li> <li>Audit compliance of legal conditions, required from the different spheres and sectors of Government</li> <li>Maintenance of site visit reports, OH&amp;S register</li> </ul>			<ul style="list-style-type: none"> <li>Contract Documentation for consulting engineers and contractors</li> <li>MOAs etc</li> </ul>
Other Capital Works Funding	<ul style="list-style-type: none"> <li>Capital works funded from other sources will be included within the competence of the PMU.</li> <li>Labour Intensive Projects (EPWP) – Encourage the use of the EPWP Guidelines for labour intensive construction.</li> </ul>			<ul style="list-style-type: none"> <li>Number and value of all other funding projects</li> </ul>
Project –based Capacity Building	<ul style="list-style-type: none"> <li>The PMU will be responsible for the broad co-ordination of project-based capacity building and developmental initiatives.</li> <li>This capacity building component of MIG is only concerned with projects and the arrangements relating to the effective delivery of municipal infrastructure and will be targeted in the following <b>manner</b>:</li> </ul>			<ul style="list-style-type: none"> <li>Capacity Building Plans</li> <li>Community awareness campaigns.</li> <li>SMME Learner ships</li> <li>Worker training during employment</li> <li>Employment exist strategies</li> <li>Training Programmes</li> <li>Municipal Partnerships (SMME)</li> <li>Community Based Partnerships</li> <li>Community Based Partnerships</li> </ul>
	Scale of Initiative	Type of Activity	Key Features	
	Project Level	Project Implementation	Capacity building is associated with improving the ability of communities to become involved with the project planning and construction of projects. With regard to the latter the focus is on labour-based construction and small contractor development	
		Operational	Under this category the project includes an undertaking to train the future services provider (or operator) to operate the infrastructure. Typically this would involve community-based organisations but it may also be aimed at municipal staff. In some cases the obligation to support services providers may extend for up to three years. Such costs may be included under project costs.	
	Programme level) Municipal Scale	Programme Management	The focus of the national effort under the national MIG office will be on building the capacity of project management units (PMUs) to ensure that they can fulfil their functions.	
Project Implementation		There may be a local motivation to establish programme scale initiatives, which could include district scale labour-based construction programmes, particularly for roads. Such initiatives typically have a strong capacity building element.		

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MUNICIPAL SPHERE – Including Project Management Units (PMU)			
	Outputs	Activities	Indicators
	Operation and Planned Maintenance	<ul style="list-style-type: none"> <li>Municipal Infrastructure Investment Planning together with Integrated Development Planning is necessary for long-term financial sustainability of municipal assets. In support of this, it is critical that municipalities have planned maintenance programmes for their assets on one hand and the resources and capacity on the other.</li> <li></li> <li>It is the responsibility of the PMU to ensure that the municipality has the resources to fulfil the operations and maintenance obligations for all capital projects. The PMU will assist wherever possible with regard to the planning and implementation of the O&amp;M programmes, directly or indirectly.</li> </ul>	<ul style="list-style-type: none"> <li>Operation and Planned Maintenance Programme</li> <li>Updated asset registers (GIS based)</li> </ul>
	GIS	<ul style="list-style-type: none"> <li>The GIS functions would be based at the provincial offices. The GIS function can be also be based at the PMU's and where the GIS is based at Province, municipalities can make use of those provincial facilities.</li> </ul>	<ul style="list-style-type: none"> <li>GIS database</li> <li>Asset registers</li> </ul>
	Project Monitoring and Evaluation	<ul style="list-style-type: none"> <li>Socio-economic impact assessments detailing how the MIG programme has impacted on the communities and municipalities in terms of; skills development, community involvement, employment creation, training, municipal partnerships, local economic development and how the lives of the communities have improved.</li> <li>Facilitation of backlog studies and environmental impact assessments of projects when necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Impact Assessment Reports</li> <li>Backlog studies</li> <li>Monthly Reports</li> </ul>
	Community Liaison / Development / communications	<ul style="list-style-type: none"> <li>It is critical to the success of the programme that there is the appropriate communication and liaison with the community in respect of project planning and implementation to ensure buy-in and long term sustainability of the projects in terms of the community understanding the need to pay for services as well as the development of community-based partnerships for the purposes of O&amp;M as discussed above under the point project-based capacity building.</li> <li>Facilitate community liaison linkages to ensure full community participation at all stages of a project's life cycle.</li> <li>Develop and implement a communication strategy in line with provincial and national objectives</li> <li>Press releases</li> <li>Co-ordinate opening and hand over ceremonies</li> <li>MIG orientation workshops etc</li> <li></li> <li>Prepare and develop MIG capacity building business plan in alignment with the municipal Local Government Capacity Building Programme (LGCBG).</li> <li>Co-ordinate the project-based capacity building in terms of: <ul style="list-style-type: none"> <li>job creation, with the focus on introducing labour-based construction methodology and the development of SMMEs where technically feasible.</li> <li>the development community-based partnerships for the operation and maintenance of the infrastructure.</li> <li>Monitor and report on implemented capacity building initiatives.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Community liaison checklists</li> <li>Training schedules</li> </ul>

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PROVINCIAL SPHERE – Provincial Programme Management Unit (PPMU)			
	Outputs	Activities	Indicators
1	Planning / Developmental Initiatives	<p>Establishment of MIG structures:</p> <ul style="list-style-type: none"> <li>• Setup / establish Provincial MIG Management unit</li> <li>• Support and facilitate the establishment of the municipal Project Management Units (PMU)</li> </ul> <p>Infrastructure Investment Planning:</p> <ul style="list-style-type: none"> <li>• Ensure that municipal IDPs combine to form a viable development framework across the province, and are vertically integrated with the Provincial Growth and Development Strategy</li> <li>• Support the determination of municipal backlogs and the provision GIS systems to support the planning process</li> <li>• Ensure that IDPs give priority to the basic needs of communities and promote the social and economic development of communities</li> <li>• Ensure through the IDP process - the prioritization of residential infrastructure for water, sanitation, electricity, refuse removal, streets, housing connector, and other municipal infrastructure like roads, in line with any MIG or sector policies established before the start of the municipal financial year</li> <li>• Support and monitor municipalities to prepare and implement Water Services Development Plans (WSDP's) – in cooperation with DWAF</li> <li>• Ensure proper co-ordination between all municipal infrastructure programmes within the respective province</li> <li>• Build capacity of municipalities to ensure the development of a three-year capital plan linked to its IDP and budget - approval by the municipal council required no later than 30 June 2004.</li> </ul> <p>Asset Management:</p> <ul style="list-style-type: none"> <li>• Build capacity of municipalities to ensure the development of a sustainable operational and maintenance programme for the three years and beyond – the cost of which is reflected within the approved three-year capital plan budget.</li> <li>• Build capacity of municipalities to ensure the development of a sustainable operational and maintenance programme of existing infrastructure for water, sanitation, electricity and other infrastructure – and associated budget.</li> <li>• GIS systems support for the development of an efficient and sustainable asset management programme.</li> </ul> <p>Local Economic Development / Capacity Building:</p> <ul style="list-style-type: none"> <li>• Support the establishment of municipal service partnerships through the MIG programme</li> <li>• Facilitate the implementation of labour-intensive methods in accordance with the EPWP Guidelines for labour intensive construction and the SETA Learnership Programme.</li> <li>• Approval of municipal capacity building business plans, which must include community based partnerships etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes of meetings</li> <li>• Evaluation reports of IDPs</li> <li>• Three year capital plan (Municipal)</li> <li>• Provincial Growth and Development Strategy</li> <li>• Partnership agreements</li> </ul>
2	Facilitation with other Provincial Sector Departments.  Liaison with National Departments:	<ul style="list-style-type: none"> <li>• Establishment of Provincial Coordinating Structure (PCS)</li> <li>• All sector departments participate within scope of the Provincial Municipal Infrastructure Task Team (PMITT)</li> <li>• Coordination between all sector departments</li> <li>• Scheduled Meetings <ul style="list-style-type: none"> <li>o Regular progress meetings with PMUs (chaired by PMU manager)</li> <li>o Report back monthly meetings with the representative of the National MIG Unit, Provincial Programme Management Unit (PPMU), the PMU managers and Sector departments</li> </ul> </li> <li>• Quarterly workshops with the representative of the National MIG Unit.</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes of meetings</li> </ul>

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PROVINCIAL SPHERE – Provincial MIG Management Unit (PMMU)			
	Outputs	Activities	Indicators
3	Monitoring and Evaluation	<p>Central the role of provinces is the building of institutional capacity of the municipalities to ensure the effective delivery of municipal infrastructure.</p> <p>Financial management:</p> <ul style="list-style-type: none"> <li>Provincial treasuries must monitor municipal capital budgets, and the reporting on expenditure, while each provincial sector department will be expected to fulfill sectoral monitoring role.</li> <li>Monitoring the financial status of municipalities through Project Viability</li> <li>Monitor compliance with DORA framework</li> </ul> <p>Performance:</p> <ul style="list-style-type: none"> <li>Projects registered only when in compliance with MIG criteria.</li> <li>Progress meetings with PMUs in terms of cash flows, KPIs, etc</li> <li>Monitor programme performance reports (DORA reports, MIG monthly reports, MIG quarterly reports, labour intensive reports, O&amp;M reports) which would include some of the following indicators:                             <ul style="list-style-type: none"> <li>Monthly cashflow performance management</li> <li>Achievement of MIG KPIs.</li> <li>Achievement of LIC KPIs.</li> <li>Bi-annual reports</li> <li>O&amp;M budgetary constraints</li> </ul> </li> <li>Monitor 'M' factor - Monitor performance of municipalities in terms of; expenditure, the DORA framework and compliance to grant conditions</li> <li>Progress on removal of backlogs</li> </ul> <p>Administration / Legal Compliance:</p> <ul style="list-style-type: none"> <li>Legal agreement compliance by implementing control mechanisms and guidelines                             <ul style="list-style-type: none"> <li>Procurement procedures</li> <li>MOA conditions in alignment with grant conditions</li> </ul> </li> <li>Update and maintain national data information system at provincial and municipal level.</li> </ul> <p>Extended functions:</p> <ul style="list-style-type: none"> <li>Ensure adherence to the labour-intensive construction methods in terms of the Expanded Public Works Programme (EPWP) guidelines agreed between Department of Public Works, National Treasury and SALGA, for at least low-volume roads, sidewalks, storm-water drainage, trenching etc.</li> <li>Ensure that Labour Intensive Projects (EPWP) can be distinguished from non- Labour Intensive Projects (EPWP).</li> <li>Monitor capacity constraints/ gaps</li> <li>Monitor the outputs of the municipal operation and maintenance programmes</li> <li>Monitor the adherence of Occupational Health and Safety plans</li> <li>Project implementation progress monitoring with site meetings</li> <li>Register of site visit reports</li> </ul>	<ul style="list-style-type: none"> <li>Project viability audit reports</li> <li>Minutes of meetings, Progress reports</li> <li>Performance monthly reports</li> <li>Site visit reports</li> <li>EPWP report</li> <li>O&amp;M reports</li> <li>OH&amp;S plans / audits</li> <li>Site visit reports</li> </ul>

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PROVINCIAL SPHERE – Provincial MIG Management Unit (PMMU)			
	Outputs	Activities	Indicators
4	Communication	<ul style="list-style-type: none"> <li>MIG awareness campaigns at municipal level, orientation workshops, technical workshops etc</li> <li>MIG brochures, handouts newsletters etc</li> <li>Media Implementation awareness articles, press releases etc</li> <li>Maintain a photographic data base of projects and events</li> <li>Input for MIG website</li> </ul>	<ul style="list-style-type: none"> <li>Media material</li> <li>Website</li> </ul>
5	Capacity Building / technical support /	<ul style="list-style-type: none"> <li>Promoting the development of local government capacity to enable municipalities to perform their MIG function.</li> <li>Facilitate the building of institutional capacity in terms of:                             <ul style="list-style-type: none"> <li>Project management</li> <li>Infrastructure investment planning</li> <li>Financial management of capital budgets</li> <li>Procurement procedures (Compliance with CIDB registration conditions)</li> <li>Legal / contractual</li> <li>OH&amp;S requirements</li> <li>Labour-Intensive design and methodology</li> <li>Asset Management</li> <li>MIS data base - operation and maintenance</li> <li>MIG administration and reporting systems</li> <li>Impact assessments</li> </ul> </li> <li>Provide GIS systems support to the planning process as well as the in the development of an efficient and sustainable asset management programme.</li> <li>Facilitate the development of municipal Occupational Health and Safety plans not only in terms of project implementation but also with respect to operation and maintenance procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Training schedules</li> <li>GIS database</li> <li>OH&amp;S reports</li> </ul>
7	Intervention	<p>All national departments and their provincial counterparts retain their policy making and regulatory functions which cover the full range of municipal activity: governance, administration, planning, projects and operations. Furthermore, the departments and provinces retain their constitutional rights to intervene directly in the affairs of municipalities.</p> <p>The Municipal Systems Act also states the following: The MEC for local government in a province must establish mechanisms, processes and procedures in terms of s 155 (6) of the Constitution to:</p> <ul style="list-style-type: none"> <li>Monitor municipalities in the province in managing their own affairs, exercising their powers and performing their functions</li> <li>Monitor the development of local government capacity in the province.</li> <li>Assess the support needed by municipalities to strengthen their capacity to manage their own affairs, exercise their powers and perform their functions.</li> </ul> <p>With the above in mind, intervention would be required in the following circumstances:</p> <ul style="list-style-type: none"> <li>Non performance of municipalities in terms of expenditure ('M' factor)</li> <li>Non-compliance with MIG conditions and crosscutting conditions as detailed in section 8 of MIG policy framework</li> <li>Non-compliance: project scope, mismanagement, misappropriation of funds, improper procurement procedures, with reporting requirements etc</li> </ul>	<p><u>Reference:</u> The Constitution of the Republic of South Africa. Section 139, section 154 (1), section 155 (6) and section 155 (7).</p> <p>Reference was also made to the Municipal Systems Act - section 105 (1)(a) and section 105 (1) (b)&amp;(c)</p>

Department of Provincial and Local Government

NATIONAL SPHERE			
	Outputs	Activities	Indicators
DEPARTMENT OF PROVINCIAL AND LOCAL GOVERNMENT			
	Overarching DPLG outputs	<ul style="list-style-type: none"> <li>Exercises financial accountability for the MIG programme.</li> <li>Administration of grant transfers.</li> <li>Setting up of the restructured MITT, chairing the MITT and its technical committee (MIT3) and providing them with the secretariat function.</li> <li>Setting up the MIG Unit</li> <li>Compile an annual report to parliament on the MIG programme.</li> <li>Monitor performance in respect of generic conditions.</li> <li>Responsible for monitoring the cross-cutting conditions</li> </ul>	<ul style="list-style-type: none"> <li>Expenditure report</li> <li>KPI Report( Quarterly report)</li> <li>Annual report</li> </ul>
NATIONAL MIG MANAGEMENT UNIT			
	Primary Functions	<p>Administering the use of MIG funds (ensuring that the funds are properly allocated and spent on appropriate projects). This activity relates only to the way projects are implemented and implies that national and provincial government departments retain their normal responsibilities for policy, regulation and capacity building relating to municipal governance, administration, planning and operations activities. Functions include the following:</p> <ul style="list-style-type: none"> <li>Implementing policy relating to infrastructure delivery;</li> <li>Setting up a the MIG national fund administration system, including monitoring arrangements;</li> <li>Ensuring the establishment of project management units in selected municipalities</li> <li>Operating the national MIG information system;</li> <li>Monitoring the use of MIG funds;</li> <li>Auditing the local programmes to ensure compliance;</li> <li>Ensuring that evaluation of local programmes takes place; and</li> <li>Preparing reports to MITT and to provincial and national government departments.</li> </ul>	<ul style="list-style-type: none"> <li>Effective administration</li> <li>Effective coordination of sector departments</li> <li>Report to MIIF</li> </ul>
TECHNICAL INTER-MINISTERIAL (TECH IMC) COMMITTEE ON PROJECT CONSOLIDATE AND COMPREHENSIVE HUMAN SETTLEMENTS			
	Overall Functions (as it relates to the MIG):	<p>All national departments and their provincial counterparts retain their policy making and regulatory functions which cover the full range of municipal activity: governance, administration, planning, projects and operations. Furthermore, the departments and provinces retain their constitutional rights to intervene directly in the affairs of municipalities. However, the importance of co-ordinating such activity, with the objective of creating a common approach to local government, is recognised. The Tech IMC has therefore been established and assigned these co-ordinating functions.</p> <p>The Tech IMC will have the following overall functions:</p> <ul style="list-style-type: none"> <li>To review municipal infrastructure policy to ensure efficiency, effectiveness and consistency in the delivery of infrastructure by municipalities;</li> <li>To monitor progress and unblock any challenges that may emerge in the delivery of services; and</li> <li>To make decisions on the above.</li> </ul>	<ul style="list-style-type: none"> <li>Effective coordination of MIG programme</li> </ul>



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	Outputs	Activities	Indicators
	Policy Reviews	<ul style="list-style-type: none"> <li>• Reflect and review municipal infrastructure policy as and when required;</li> <li>• Review emerging developments emanating from other programmes and process which have direct bearing on municipal infrastructure delivery e.g. the restructuring of electricity distribution industry;</li> <li>• Review sector service delivery targets;</li> <li>• Promote financial, technical, social and environmental sustainability;</li> <li>• Make policy proposals to Cabinet;</li> <li>• Monitor sector service delivery impact;</li> <li>• Agree on regulations, where required;</li> <li>• Propose scaling down or broadening the scope of service delivery levels, where required; and</li> <li>• Ensure the fulfilment of commitments emanating from the decisions of the Cabinet Makgotla, Clusters and Local Government MinMec.</li> </ul>	
JOINT TASK TEAM ON FREE BASIC SERVICES, MUNICIPAL INFRASTRUCTURE AND SECTION 78 COMMITTEE			
	Overall Functions (As it relates to the MIG)	<p>The Tech IMC will be supported by the Joint Task Team on Free Basic Services and Municipal Infrastructure (JTT). This will be formed from the same departments as the Tech IMC, with representation at a Chief Director level or their mandated alternates. SALGA and the national MIG programme manager will also serve on the team.</p> <p>The JTT will report directly to the Tech IMC and will have the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Ensure that the Tech IMC agenda focuses on the sectoral priorities;</li> <li>• Determine sectoral priorities, which are linked, to Departmental objectives;</li> <li>• Facilitate implementation of the Municipal Infrastructure Grant (MIG) policy;</li> <li>• Promote financial, technical, social and environmental sustainability of municipal services through infrastructure programmes.</li> <li>• Monitor and ensure implementation of MIG;</li> <li>• Assess and monitor the progress made by Departments in implementing the decisions taken at the MITT meetings;</li> <li>• Ensure that sufficient information needed for a decision is collected;</li> <li>• Oversee the implementation of the pilot projects;</li> <li>• Facilitate the establishment of the MIG unit;</li> <li>• Coordinate the implementation of the MIG;</li> <li>• Draft policy amendments and other expert advise to the Tech IMC;</li> <li>• Coordinate the reviews of the MIIF document;</li> <li>• Oversee the work of Working Committees</li> <li>• Commission studies on infrastructure.</li> <li>• Coordinate impact studies on the MIG.</li> <li>• Review and correct blockages in process.</li> <li>• Ensure proper co-ordination between sector departments.</li> <li>• Review regular reports from municipalities and PMU's.</li> <li>• Recommend policy changes to the DG/higher committee.</li> <li>• Review Sector reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Technical reports to MITT(Reports with technical inputs)</li> </ul>

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OTHER NATIONAL DEPARTMENTS			
	Outputs	Activities	Indicators
	National Treasury (NT)	<ul style="list-style-type: none"> <li>Incorporation of MIG conditions and transfers into DORA.</li> <li>Ensure that municipalities observe and operate within the macroeconomic framework driven by national government.</li> </ul>	<ul style="list-style-type: none"> <li>Annual DORA</li> </ul>
	Department of Water Affairs and Forestry (DWAF)	<ul style="list-style-type: none"> <li>Policymaking, including the setting of norms and standards for water services infrastructure.</li> <li>Planning oversight (regional and water service development plans).</li> <li>Monitoring of water sector related conditions and progress in meeting targets.</li> <li>Initiating intervention related to water services activities.</li> </ul>	<ul style="list-style-type: none"> <li>Sector Plans</li> <li>Technical Standards and Norms</li> </ul>
	Department of Labour (DoL)	<ul style="list-style-type: none"> <li>Coordinate the Expanded Public Works Programme</li> <li>Set criteria related to poverty alleviation and employment generation.</li> <li>Advise municipalities on intensive labour-based processes, systems, techniques and approaches.</li> <li>Liaise with municipalities on procurement reforms.</li> <li>Monitor performance in relation to employment generation, labour based technology and SMME involvement.</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>
	Department of Minerals and Energy (DME)	<ul style="list-style-type: none"> <li>DME's responsibilities will relate initially to policy development. Once the Integrated National Electrification Programme (INEP), has been incorporated into the MIG programme it will undertake similar responsibilities to those identified for DWAF.</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>
	Department of Transport (DoT)	<ul style="list-style-type: none"> <li>Policy relating to municipal roads and municipal transport.</li> <li>Monitoring of the performance of municipalities in the provision of roads and compliance with conditions applicable to this sector.</li> <li>Ensuring that funds allocated to transport infrastructure are properly spent.</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>
	Department of Housing (DoH)	<ul style="list-style-type: none"> <li>Coordination of policy and planning of housing development and the provision of infrastructure through the MIG programme.</li> <li>Synchronisation between the MIG programme and the Housing Fund.</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>
	Department of Public Works (DPW)	Training of workers on Labour Intensive Projects (EPWP).	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>
	Department of Sport and Recreation South Africa (DSRSA)	<ul style="list-style-type: none"> <li>Policy relating to sports and recreation.</li> <li>Ensuring that MIG funds are properly applied to building associated infrastructure.</li> <li>Monitor conditions applicable to this sector.</li> </ul>	<ul style="list-style-type: none"> <li>Learnerships</li> <li>Job creation</li> <li>Service levels</li> </ul>

## 4. CONDITIONS APPLIED TO THE MIG

The MIG is a conditional grant that is allocated to specific municipalities using the allocation formula. The formula is intended to allocate funding in accordance with government's policy priorities. The utilisation of this funding in accordance with MIG policy priorities and objectives is based on the MIG conditions imposed on its use by beneficiary municipalities.

### 4.1 PRINCIPLES RELATING TO THE SETTING OF CONDITIONS

Conditions will be applied to ensure that municipalities appropriately address the objectives and parameters of the MIG policy statement. The conditions seek to avoid placing an undue burden of compliance on municipalities. Therefore, the number of conditions must not be excessive and it must be possible to easily measure performance in relation to the conditions.

The following conditions will be applicable on the MIG Programme:

- Division of Revenue Act
- Cross-cutting conditions
- Sector specific conditions

#### 4.1.1 Division of Revenue Act (DORA)

Refer to the relevant Division of Revenue Act (for the relevant financial year)

Refer to the relevant Conditional Grant Frameworks in the DORA:

- Municipal Infrastructure Grant (MIG).

#### 4.1.2 Cross-cutting conditions

The following conditions (Section 8.2 of the MIG policy framework document, Concise version – final dated 5 February 2004) are set as the founding conditions for the MIG programme, which may be varied from time to time by the MITT. The PMU must ensure compliance with these conditions:

- a) *Conformity with IDPs:* No MIG funds may be spent outside the framework of a municipality's pre-existing Integrated Development Plan and its approved budget. The IDPs should be based on the provision of a basic package of services to the poor, appropriate services levels, financial sustainability and the existence of adequate organisational capacity.
- b) *Limitation on operational spending:* The MIG grant can only be used for capital investment and cannot be used to finance operating expenditure other than the

prescribed percentage permitted for the operation of a project management unit in applicable municipalities.

- c) *Restrictions on eligibility:* Spending of MIG funds is restricted to those categories of infrastructure, beneficiaries and levels of service identified in Section 5 of the MIG Policy. To ensure that eligibility requirements are met a cap on capital spending per household will be set and specific requirements may be set for the amount of spending on particular types of infrastructure.
- d) *Adequate attention to rehabilitation:* The municipality must invest an appropriate proportion of the funds on rehabilitating existing infrastructure.
- e) *Pledging of funds to secure loan finance:* No 'pledging' (the assigning of capital grant funds to be used to pay off a loan to a particular lending organisation) may be undertaken with MIG funds.
- f) *Achievement of specified basic service coverage targets:* the attainment of pre-agreed basic service coverage targets in specific sectors (water and sanitation, for example) to be achieved by a particular municipality over a three-year period, based on their current position.
- g) *Poverty alleviation:* It is important for the economic spin-offs of infrastructure delivery to be maximised. This relates primarily to temporary and permanent job creation arising for municipal infrastructure investments. This condition will be associated with national government's 'Expanded Public Works Programme' (EPWP). The gender provisions of this programme must be adhered to.
- h) *Reporting:* The recipient municipality has prepared and submitted all monthly reports on grant utilisation in a prescribed format by a specified time.
- i) *MIG funds to be allocated in municipal budget:* All MIG funds to be spent in any year must be allocated to specific projects, which must be identified in municipal budgets.
- j) *Registration of MIG projects (otherwise referred to as project feasibility study):* All projects to be funded with MIG funds, wholly or partially, must have a project registration form which conforms with requirements to be established for the MIG programme and which must be registered on the national MIG database before the award of contracts for construction commences.

#### **4.1.3 Sector specific conditions**

Each sector department (DWAF, DPWP, DME, DoT and DSRSA) may establish further conditions specific to their sectors. Such conditions will be included at the discretion of the Municipal Infrastructure Task Team.

##### **4.1.3(a) Department of Public Works**

To adhere to the labour-intensive construction methods in terms of the Expanded Public Works Programme (EPWP) guidelines agreed between Department of Public Works, National Treasury and SALGA, for at least low-volume roads, sidewalks, storm-water drainage, trenching etc.

##### **4.1.3(b) Department of Water Affairs and Forestry**

- (a) The funding is only to be used for the Basic Water Services component of the projects. Basic water services in this case means Basic Water Supply Facilities and/or Basic Sanitation Facilities as defined in the Strategic Framework for Water Services as approved by Cabinet September 2003.
- (b) Projects to be funded must be within the Water Services Development Plan (WSDP) as the Sector Component of the Integrated Development Plan (IDP).
- (c) Projects to be funded must be proven to be viable, feasible, acceptable and sustainable based on a proper feasibility study.
- (d) To ensure sustainable operation and maintenance of the proposed infrastructure the operating, finance and management arrangements must be in place and committed. (If acceptable to the other sectors, this could be a crosscutting condition).
- (e) Projects must be implemented in line with the policies as set by the Strategic Framework for Water Services and the legal requirements of the Water Services Act (Act 108 of 1997) as well as the National Water Act (Act 36 of 1998).

##### **4.1.3(c) Department of Transport**

The development of road infrastructure to poor households that would create access to trade, local economic development and essential services and to promote road safety.

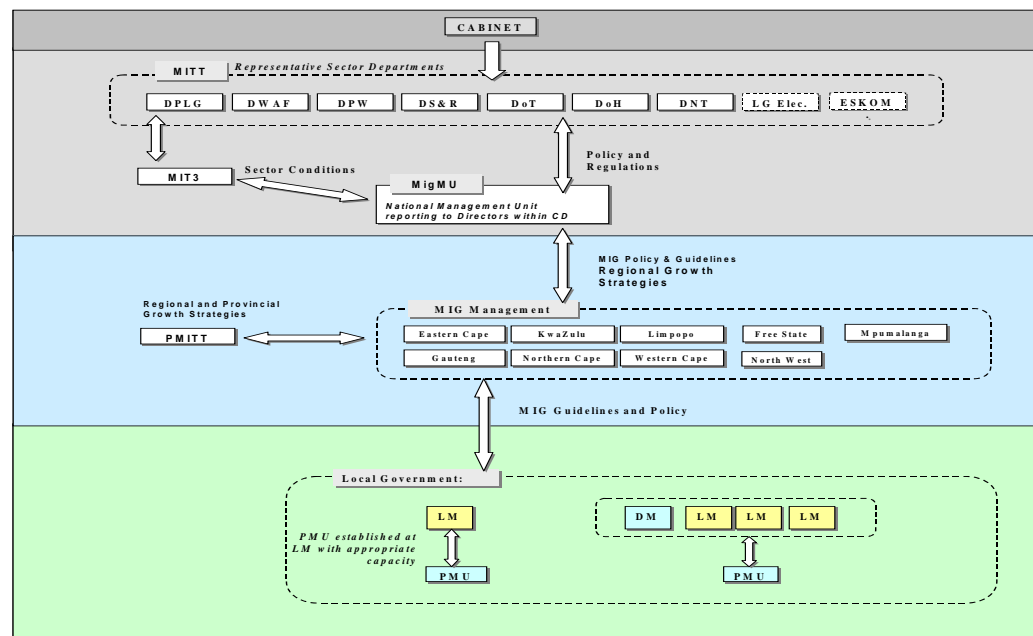
## 5. COMMUNICATION FLOW AND CONTROL PROCEDURES

Overall, control of the MIG programme can only be exercised effectively if processes and procedures and proper communication lines are followed. Essentially, the MIG Programme is implemented in the framework of public services delivery to communities, especially to those that do not have access to basic services. The White Paper of Transformed Public Services 1997 – or the White Paper of Batho Pele seeks an approach which puts pressure on systems, procedures, attitudes and behaviour within the Public Services and reorient them in the customer's favour, an approach which puts people first. Communication is a strategic element of service delivery.

### 5.1 INTERACTION

#### 5.1.1 Interaction between the National MIG Management Unit, Provincial MIG Management Unit, PMUs and municipalities

- All communication from the National MIG Management Unit will be via the Provincial MIG Management Units as indicated on the Institutional Management flowchart.



- The National MIG Unit could communicate directly with the Municipalities on financial matters (disbursement of funds, etc), with a copy of the summary of the discussion submitted to the Provincial Programme Management Unit.

#### 5.1.2 Interaction between PMU, municipality and project consultant/s

The PMU and project consultant/s will communicate to each other via the Municipality where a PMU is not located within a municipality.

## 5.2 MEETINGS

In order for the National MIG Management Unit to conduct its primary and overall functions (refer to Item 4.3 – responsibilities matrix) and to monitor the compliance of crosscutting and sector specific conditions as well as progress, the following meetings are envisaged:

### 5.2.1 Provincial progress meetings

This meeting will be between the National MIG and Provincial Programme Management Units as well as the PMUs.

Chairperson	:	This is a provincial meeting that needs to be chaired by PPMU
Co-ordinator	:	<b>dplg</b> delegated official;
Intervals	:	Monthly
Dates	:	Meeting schedule to be provided by Provincial MIG Management Unit
Venue	:	Provincial Programme Management Unit's offices
Attendance	:	National MIG Management Unit, Provincial Programme Management Units and relevant PMUs.
Purpose	:	<p>To monitor:</p> <ul style="list-style-type: none"> <li>• overall progress (financial, project implementation)</li> <li>• compliance of MIG conditions</li> <li>• achievement of specified KPIs</li> <li>• the establishment of PMUs</li> <li>• Labour intensive projects</li> <li>• Nodal municipalities</li> <li>• Special Municipal Infrastructure Fund (SMIF)</li> <li>• Infrastructure categories and funding elements</li> <li>• Three-year development plans (submission &amp; compliance)</li> </ul> <p>To discuss:</p> <ul style="list-style-type: none"> <li>• project registrations, MIS and IT related matters</li> <li>• administrative matters</li> <li>• auditing requirements</li> <li>• policy issues</li> <li>• financial matters</li> <li>• communication</li> <li>• reporting formats/requirements</li> <li>• problems experienced and possible solutions / suggestions</li> </ul>
Agenda	:	To be compiled and distributed before the meeting.

The Provincial MIG Unit will be responsible to compile, finalize and distribute the minutes of the monthly meetings within 7 working days after the date of the meeting to all relevant parties. The progress meeting's agenda must be distributed to all the relevant parties at least 7 working days before the meeting.

## 5.2.2 National quarterly workshops

Chairperson	:	<b>dplg</b> Executive Manager or delegate
Co-ordinator	:	<b>dplg</b> Director : Communication and stakeholder
Intervals	:	Quarterly
Dates	:	Meeting schedule to be provided by National MIG Management Unit
Venue	:	To be determined (alternating between nine provinces)
Attendance	:	National MIG Management Unit (Senior Managers) and nine (9) Provincial Programme Management Units. Sector Departments (national and regional) and service providers such as Eskom could be invited.
Purpose	:	<ul style="list-style-type: none"> <li>• Report on progress during previous 3 months</li> <li>• Report on “best practices” / labour intensive projects</li> <li>• Strategic planning between all role-players</li> <li>• Provincial feedback on issues/matters that could hamper the implementation of the programme</li> <li>• Discuss new innovation projects</li> <li>• Information, transformation and way forward</li> <li>• Presentations by private/public sector specialist on key issues</li> <li>• Team building exercise.</li> </ul>
Agenda	:	To be compiled and distributed before the meeting.

The National MIG Unit will be responsible to compile, finalize and distribute the minutes of the quarterly workshop within 22 working days after the date of the workshop to all relevant parties. The quarterly workshop’s agenda must be distributed to all relevant parties at least 14 working days before the workshop.

## 5.2.3 Ad-hoc meetings

Ad-hoc meetings will be conducted by the National MIG Unit, in conjunction with the Provincial Programme Management Unit members, to obtain grass-root level information on specific projects and/or to intervene/resolve problem areas at provinces, municipalities and/or projects.

### ***Consideration in arranging meetings:***

- Identify the stakeholders that should attend the meetings and send them personalised invitations to the meetings. Invitations should detail the purpose of the meeting and state a reply date to ensure that the organisers of the meeting know the availability of the invited person
- Meeting agendas or programmes should be distributed well in advance (14 days) of the meeting, requesting inputs and comments
- Presentations should be well prepared
- Indicate a willingness to cooperate with each other at meetings
- Meetings are more readily able to achieve their objectives when all attendees receive short, to-the-point written information for discussion about a week in advance of the meeting.



## 6. MUNICIPAL INFRASTRUCTURE GRANT (MIG) LIFE CYCLE

MIG projects follow a similar project life cycle with the same requirements during the different stages.

### 6.1 PROJECT IDENTIFICATION

Proper community participation process is important to ensure that the true needs of the communities are being addressed by the identified projects. The community identifies the need for a service and the ward committee reports to the municipality. The basis for any decisions on infrastructure provision is the IDP's compiled by the Municipalities. The IDP is a product of the integrated development planning process. It is the principal strategic planning instrument, which guides and informs all planning, budgeting, management and decision – making in a municipality.

The IDP should also incorporate a proper community participation process and thereby ensure that the true needs of the communities are being addressed by the identified projects. The community identifies the need for a service and the ward committee reports to the municipality.

The IDP will also form the basis of alignment between the MIG programme and other Sector Departments programmes. The municipality needs to establish what are the **basic infrastructure needs and priorities** that must be addressed. In order for municipalities to do this they need to ask the following questions:

- What are the current backlogs?
- What are the targets for the delivery of basic infrastructure?
- What is the existing infrastructure?
- In what condition is the existing infrastructure?
- What are the gaps?
- What infrastructure is needed to address basic service provision?
- What are the level of service needed?
- What is included in the master plans of national departments?

Sector departments need to be actively involved in the above-mentioned process to ensure that identified projects are within the parameters set by the sector plans. In addition the Sector Departments are to ensure that the backlogs are addressed and targets are met. The targets for basic infrastructure can only be achieved if they are translated into projects.

Project proposals include a brief description of the project and a rough budget for planning purposes. The feasibility of the projects still needs to be assessed through proper project feasibility studies, which can be funded through MIG.

Municipalities must also adhere to the labour intensive construction methods in terms of the EPWP guidelines agreed between the Department of Public Works, National Treasury and SALGA.

Sector Departments must make sure that prioritised projects adhere to the sector specific conditions.

As soon as the prioritised list of projects has been determined, resources must be allocated to conduct feasibility studies to determine the sustainability of the proposed projects, compile the Technical Reports (Water and Sanitation projects only), conduct Environmental Impact Assessments (EIAs) and obtain the approval thereof and to complete the Project Registration Forms on the Management Information System (MIS).

Sector departments need to participate in the feasibility study progress to guide on MIG conditions and sector specific conditions. The project registration process ensures compliance is achieved at all three levels of Government including sector departments on technical standards and norms.

The PMUs in the municipalities must ensure that the identified infrastructure projects are aligned with the IDPs. They must also constantly monitor the progress of the implementation of the infrastructure projects, as well as timeously identify and plan for the projects to be implemented during the next financial year. The Municipalities must also support / promote the establishment of Municipal Service Partnerships through the MIG programme.

## **6.2 PROJECT PRIORITISATION AND SELECTION**

The following conditions and criteria must be taken into account in the prioritization process:

- Approved three year capital plans
- Division of Revenue Act (DORA)
- MIG Cross-Cutting Conditions
- Sector specific conditions
- MIG and other funding windows / criteria
- Cost effective regional level infrastructure solutions involving a number of Municipalities

The MIG registration form serves as a template to gather baseline information to allow for project monitoring and evaluation. Sector Departments should ensure that municipalities are capacitated to compile and submit the required technical reports and EIAs. Sector Departments should also ensure that the outputs and project cost in the registration form are in line with the information on the technical report.

Projects in the IDP should be linked to the Municipal budget (operational and maintenance costs must be included in the budget) for the MTEF. The plan should include project lists detailing the relative priority of the different projects as well as the planned implementation periods, details of the level of services that will be provided and estimates of the operating expenditure together with the revenue of all infrastructure.

The Municipalities must also compile a three-year capital plan (based on the format provided by the Department of Treasury), which must be linked to the IDP and Municipal budget (operational

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and maintenance costs must be included in the budget). The Municipality’s three-year capital plan should include project lists detailing the relative priority of the different projects as well as the planned implementation periods, details of the level of services that will be provided and estimates of the operating expenditure and revenue of all infrastructure.

The three-year capital plan must be submitted to National Treasury and dplg and must be reviewed on an annual basis by National Government. The Municipal Financial Management Act No 56 of 2003 16(2) requires that a Municipal Council must table “the annual budget” no later than 30 March of each year”. The Municipal Financial Management Act No 56 of 2003 24(1) also requires that a Municipal Council must approve “a three-year capital plan linked to its IDP and budget no later than 30 June of each year”. The Division of Revenue Act No 3 of 2005 37(2)a requires that a receiving municipality must submit “a three-year capital plan linked to its IDP no later than 1 October of each year”.

The National MI Unit through the PPMUs must monitor the compilation of budgets and prioritization of projects at the municipalities.

**Time Schedule Of Key Deadlines**

Mayor to Table in Council 10 Months Prior to Start of Budget Year

	<b>Mayor and Council / Entity Board</b>	<b>Administration - Municipality and Entity</b>
<b>July</b>	<ul style="list-style-type: none"> <li>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process MFMA s 53</li> <li>Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist</li> </ul>	<ul style="list-style-type: none"> <li>Accounting officers and senior officials of municipality and entities begin planning for next three-year budget MFMA s 68, 77</li> <li>Accounting officers and senior officials of municipality and entities review options and contracts for service delivery MSA s 76-81</li> </ul>
<b>August</b>	<ul style="list-style-type: none"> <li>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year. MFMA s 21,22, 23; Municipal Systems Act s 34, Ch4 as amended</li> <li>Mayor establishes committees and consultation forums for the budget process</li> </ul>	

	<b>Mayor and Council / Entity Board</b>	<b>Administration - Municipality and Entity</b>
<b>September</b>	<ul style="list-style-type: none"> <li>• Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans</li> </ul>	<ul style="list-style-type: none"> <li>• Budget offices of municipality and entities determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</li> <li>• Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</li> </ul>
<b>October</b>		<ul style="list-style-type: none"> <li>• Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials MFMA s 35, 36, 42; MTBPS</li> </ul>
<b>November</b>		<ul style="list-style-type: none"> <li>• Accounting officer reviews and drafts initial changes to IDP MSA s 34</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>• Council finalises tariff (rates and service charges) policies for next financial year MSA s 74, 75</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous years performance as per audited financial statements</li> </ul>
<b>January</b>	<ul style="list-style-type: none"> <li>• Entity board of directors must approve and submit proposed budget and plans for next three-year budgets to parent municipality at least 150 days before the start of the budget year MFMA s 87(1)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) MFMA s 36</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>• Council considers municipal entity proposed budget and service delivery plan and accepts or makes recommendations to the entity MFMA s 87(2)</li> </ul>	<ul style="list-style-type: none"> <li>• Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</li> <li>• Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)</li> </ul>

	<b>Mayor and Council / Entity Board</b>	<b>Administration - Municipality and Entity</b>
<b>March</b>	<ul style="list-style-type: none"> <li>Entity board of directors considers recommendations of parent municipality and submit revised budget by 22nd of month MFMA s 87(2)</li> <li>Mayor tables municipality budget, budgets of entities, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year MFMA s 16, 22, 23, 87; MSA s 34</li> </ul>	<ul style="list-style-type: none"> <li>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed MFMA s 22 &amp; 37; MSA Ch 4 as amended</li> <li>Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March MFMA s 42</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc</li> </ul>	<ul style="list-style-type: none"> <li>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</li> </ul>
<b>May</b>	<ul style="list-style-type: none"> <li>Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. MFMA s 23, 24; MSA Ch 4 as amended</li> </ul>	<ul style="list-style-type: none"> <li>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</li> </ul>
<b>June</b>	<ul style="list-style-type: none"> <li>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year MFMA s 16, 24, 26, 53</li> </ul>	<ul style="list-style-type: none"> <li>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA. MFMA s 69; MSA s 57</li> <li>Accounting officers of municipality and entities publishes adopted budget and plans MFMA s 75, 87</li> </ul>

### **6.3 PROJECT REGISTRATION**

The Provincial MIG Management Unit (PMMU) will extract the Project Registration Form from the MIS, evaluate and verify for compliance with the MIG conditions, three-year capital plan as well as targets set for key performance indicators (KPIs). If in compliance with the MIG criteria, the PMMU will sign the Project Registration Form off on the MIS.

The National MIG Management Unit (NMMU) will extract the Project Registration Form from the MIS and evaluate the project. Any discrepancies, errors and/or queries must immediately be forwarded to the PMUs for rectification / clarification. As soon as the Technical Report and registration form are submitted to the NMMU the project file with all the relevant information and evaluation sheet will be submitted to the Senior Manager MIG (SMM) and Senior Manager Finance (SMF).

The SMM and SMF will evaluate and if in compliance with the MIG funding criteria, they will sign the Project Registration Form off on the MIS. The NMMU will then forward a signed Project Registration Letter to the Municipality (PMU).

The Project Registration Form will form the baseline against which the implementation of the project be measured / monitored (e.g. financial matters, KPI achievements and scope of work).

The annual deadline for submission of projects for registration is the 31<sup>st</sup> August of the previous financial year. (e.g. 31 August 2005 for 2006/07 financial year)

### **6.4 PRE-IMPLEMENTATION PHASE**

#### **6.4.1 Design**

The design phase is critical, as it would give alternatives regarding the technology to be used, which would have an impact on the operation and maintenance costs and sustainability of the project. In most instances, a Municipality will not have the capacity to undertake the detailed design for a project.

It is therefore advisable that a consulting engineer be appointed to perform this task.

A municipality should consider the following when appointing a consulting engineer / consulting engineering company:

- It is preferable that only individuals / companies that are registered with SAACE or SABTACO, ECSA OR SAICE be considered. Members of these organisations are bound by a certain code of conduct, which will provide some assurance of quality / professionalism to the municipality.
- The appointment should be in terms of the standard contracts, which can be obtained, from the Department of Public Works or SAACE.

The Municipality must appoint a consulting engineer either from their roster system or through procurement to ensure that an equitable spread of work is achieved between the different

companies. The consulting engineer's information must be captured on the MIS (Register Consultant Form).

The following aspects should be included in the design:

- Life Cycle Cost
- Life span of the infrastructure
- Depreciation rate of the infrastructure
- Number of households that will benefit
- Expected contribution per household to maintain the asset

Sector departments provide inputs on the designs of the projects and confirm that they are in – line with acceptable sector technical norms and standards and advise the municipality on labour-based processes, systems, techniques and approaches.

The Sector Departments have an important role of monitoring the quality of project designs in conformity with the set technical norms and standards.

The consulting engineer must identify different design alternatives that can be used for the project and will advise the municipality on labour-based processes, systems, techniques and approaches after consultation with all the relevant Sector Departments. The municipality must endorse the design alternative selected as the operation and maintenance costs have to be carried by the municipality for the duration of the project's lifetime. The municipality must be certain that the design is the best, cheapest alternative.

After the municipality has evaluated the design alternative selected, it will be endorsed if it complies with the MIG criteria. The consulting engineer will thereafter proceed to complete all the necessary surveys as well as the preliminary design report. The municipality will evaluate and verify the preliminary design report and should any amendments be required, the municipality will refer the design report back to the consulting engineer. Once the municipality is satisfied with the preliminary design report, it must be endorsed as approved.

The consulting engineer may now proceed to complete the detail design for the project based upon the approved preliminary design report.

#### **6.4.2 Tender document and procurement**

The schedule of quantities and tender document is based upon the final design for the project. The consulting engineer must ensure that the prescribed preferential procurement procedures that will be used for the evaluation of tenders be clearly stipulated in the tender document.

The tender may now be advertised in regional newspapers. The normal tender period is approximately one (1) month and a site inspection will normally be held so that prospective contractors can familiarise themselves with the site and project conditions / requirements. After the closing of tenders the consulting engineer will evaluate the tenders received and compile a tender report with their recommendations. The tender report will be submitted to the municipality for their evaluation and endorsement.



## 6.5 IMPLEMENTATION PHASE

### 6.5.1 Construction

After the tender report has been approved, the Municipality can appoint the successful tenderer. (The procurement processes can on average take about 8 months). This contractor's information must be captured on the MIS (Registered Contractor Form). The contractor can then commence with construction of the project in terms of the contract document and construction drawings issued. The consulting engineer will represent the Municipality during this period and supervise the work carried out by the contractor. However, the contractor will be responsible for the quality and correctness of the work performed in all cases.

During the construction period of a project, it is important that key performance indicators included in the Project Registration Form are carefully monitored. For this purpose, it is important that the Request for payment (Design & Construction phases) and Progress Report MIS forms be completed / updated by the consulting engineer on a monthly basis. The Project Management Unit must also submit a Division of Revenue Report on a monthly basis to indicate the expenditure of MI resources as well as a comprehensive project list to indicate progress on registered MI projects.

Sector departments must however do site visits to ensure that implementation of projects are according to the sector's standards and to assist should the municipality encounter a challenge regarding a sector specific project.

The Division of Revenue Act 2 of 2006, Chapter 4 section 26 (3) (b) requires the municipalities to submit a quarterly performance report to the **dplg** within 30 days after the end of each quarter. This KPI report contains generic information, which needs to be monitored by the **dplg** to monitor the progress and impact of the MIG programme. It is however still the responsibility of sector departments to monitor and evaluate sector specific indicators.

**NB: The procurement processes can on average take about 8 months.**

*The **dplg** is the coordinator of the MI programme, and is responsible for monitoring the cross-cutting conditions and overall progress with programme implementation. By successfully monitoring and evaluating its KPI's on projects government would be able to communicate its achievements, challenges and interventions to various stakeholders especially its citizens.*

*Sector departments need to verify the information contained in the KPI report and confirm that the set norms and standards have been complied with. Sector Departments (DWAF, DME, DoT and DSRSA) are responsible for monitoring performance of municipalities with regard to sector specific criteria. DPW is responsible for monitoring poverty alleviation criteria.*



## 6.6 PHYSICAL COMPLETION

Once the contractor has successfully completed the contract according to the prescribed contract conditions, technical specifications and standards the consulting engineer will issue a physical completion certificate with the physical hand over. This information must be captured on the MIS (Physical completion report form). The infrastructure must also be recorded in the municipality's Infrastructure Asset Register.

## 6.7 OPERATION AND MAINTENANCE

During the retention period (approximately 12 months after the completion of the contract) the contractor will be responsible to rectify / repair / reconstruct any defects that may occur on the contract. At the end of the retention period, the consulting engineer will release all the balance of the contractor's retention money. This information must be captured on the MIS (request for payment (retention)).

The last stage of the MIG project life cycle, the operation and maintenance of the infrastructure constructed is also the most costly one. Municipalities must carefully consider these costs and ensure that adequate funds are budgeted for personnel, materials and equipment in order to operate and maintain the infrastructure created and to provide a sustainable service.

Municipalities must carefully consider these costs and ensure that adequate funds are budgeted for personnel, materials and equipment in order to operate and maintain the infrastructure created and to provide a sustainable service.

Sector Departments plays a regulatory function to ensure communities continues to receive a quality service and there is continuity in the provision of services.

## 7. GENERIC REPORTING MECHANISMS, FORMATS AND PROCEDURES

Municipalities are required to report monthly on progress, draw downs and DORA as well as quarterly on their key performance indicators. Reports must be submitted as listed in the table below in order to achieve the required milestone dates.

	Milestone dates per month					
	Municipalities to PMU	PMU to PMMU	PMMU to NMMU	NMMU to BMM	NMMU to dplg: CFA/Financial Dept	Dplg: CFO to Treasury
Project list	3 <sup>rd</sup>	6 <sup>th</sup>	10 <sup>th</sup>	20 <sup>th</sup>		
DORA	3 <sup>rd</sup>	6 <sup>th</sup>	10 <sup>th</sup>	16 <sup>th</sup>	18 <sup>th</sup>	20 <sup>th</sup>
Draw downs	3 <sup>rd</sup>	6 <sup>th</sup>	10 <sup>th</sup>	12 <sup>th</sup>	15 <sup>th</sup>	

### 7.1 DIVISION OF REVENUE ACT – MONTHLY REPORTING

The duties of the transferring national officers (Municipal Managers of recipient municipalities) are clearly stipulated in the yearly Division of Revenue Act and the MIG policy framework.

The monthly DORA report would reflect on the following items:

- Amount of funds transferred / received by a municipality
- Amount of funds delayed or withheld from any municipality and the reasons for such a delay or withholding
- Actual expenditure incurred by the municipality in respect of its allocation
- Extent of compliance by a municipality with the conditions of an allocation and the Division of Revenue Act
- Explanation for any material (supplier) problems experienced or variations effected by a municipality and a summary of the steps taken to deal with such problems or the effect of such variations
- Other issues as may be determined by MITT.

The procedures and timeframes for the submission of the monthly DORA reports for the various spheres of government are as follows:

#### **7.1.1 Recipient Municipalities**

The PMU of the recipient municipality shall develop, verify, reconcile, check and submit the hard copy of the monthly DORA report and the updated electronic format (Excel spreadsheet) and a signed hard copy of the DORA report to the relevant Municipal Manager no later than the 3<sup>rd</sup> of each month.

#### **7.1.2 PMUs**

The municipal manager certify the report and forward the report to PMU for submission to the PPMU. Any discrepancies, errors and/or queries must immediately be forwarded to the PMU for rectification/clarification. A consolidated municipal DORA report will be compiled by the PMU and submitted to the PPMU.

The PMU manager shall submit the updated electronic format (Excel spreadsheet) and a signed hard copy of the DORA report to the Provincial MIG Management Unit no later than the 6<sup>th</sup> of each month.

#### **7.1.3 Provincial Programme Management Unit (PPMU)**

The PPMU will verify and reconcile the monthly DORA reports received from the various PMUs in the province. Any discrepancies, errors and/or queries must immediately be forwarded to the PMU manager/s for rectification/clarification.

A consolidated provincial DORA report will be compiled and submitted to the PPM for approval.

The PPMU shall submit the updated electronic format (Excel spreadsheet) and a signed hard copy of the DORA report to the National MIG Management Unit no later than the 10<sup>th</sup> of each month.

Note: The Provincial MIG Management Unit should process reports from the Municipalities as and when they are received rather than waiting for all the reports.

#### **7.1.4 National MIG Management Unit**

The National MIG Management Unit will verify and reconcile the monthly DORA reports received from the nine (9) Provincial MIG Management Units. The monthly DORA reports would be evaluated and verified utilising the following documentation / information:

- Provincial DORA and monthly progress reports (current and previous month)
- **dplg's** BAS system report.

Any discrepancies, errors and/or queries must immediately be forwarded to the Provincial MIG managers for rectification/clarification.

A consolidated national DORA report will be compiled by the National MIG Management Unit and submitted to the Senior Manager Finance (SMF) for approval.

The SMF shall submit an updated electronic format (Excel spreadsheet) and a signed hard copy of the following DORA reports to the EMM no later than the 17<sup>th</sup> of each month:

The EMM shall submit the electronic format (Excel spreadsheet) and a signed copy of the consolidated national DORA reports to the **dplg** – Chief Financial Officer no later than the 18<sup>th</sup> of each month.

#### **7.1.5 dplg – Chief Financial Officer**

The **dplg** – Chief Financial Officer shall submit the updated electronic format (Excel spreadsheet) and a signed hard copy of the following DORA reports to National Treasury no later than the 20<sup>th</sup> of each month:

### **7.2 QUARTERLY KPI REPORT**

The National MI Unit is responsible for the overall monitoring of the infrastructure development programme activities in the municipalities. Other role players such as the Provincial Sector Departments as well as PPMUs have each a monitoring role in development of infrastructure within

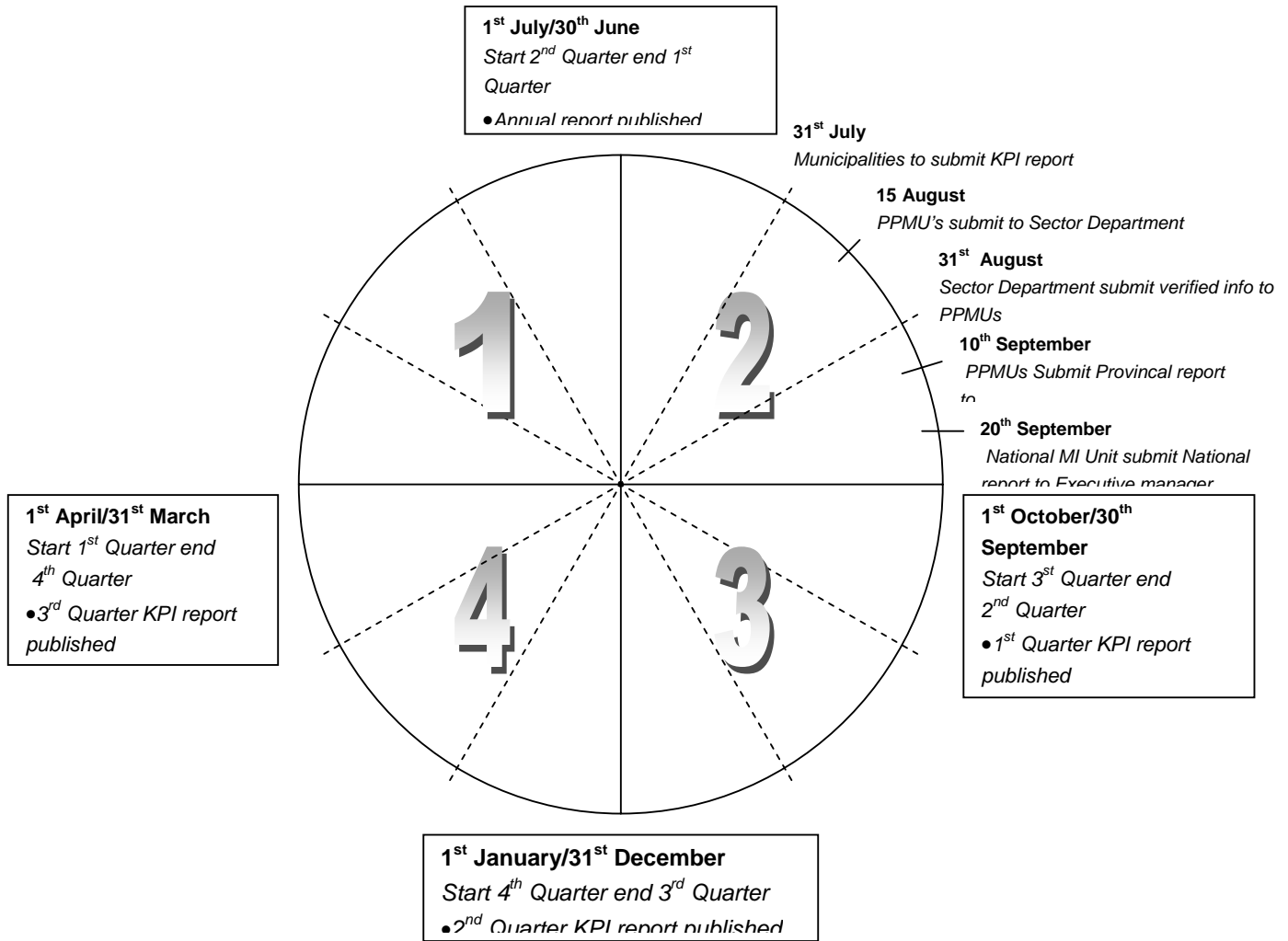
the municipalities. The delivery of qualitative infrastructure development requires that the PPMUs constantly monitor the involvement of Sector Departments with the municipalities.

The essential tool utilized by the National MI Unit for monitoring the delivery of infrastructure through the MI Programme is the Key Performance Indicator (KPI) Report compiled quarterly. The KPI report provides information on the key achievements of the programme in the delivery of infrastructure to the poor.

The National MI Unit has developed a KPI reporting template which is completed by the PMUs together with their municipalities as well as the PPMUs. The KPI Reports are verified by the Sector Departments before submission to the National MI Unit.

Indicated below is a reporting cycle that reflects how KPI Reports should be compiled and finalised:

- Within 30 days after the end of each quarter, the PMUs together with their municipalities compile the KPI reports and forward these to the PPMUs.
- The PPMUs consolidate the municipal KPI reports and draft a provincial KPI report within 15 days, which is forwarded to the Sector Departments for verification.
- After receiving the KPI reports, the Sector Departments are required to verify the information contained in the reports and respond to the PPMUs within the following 15 days.
- Once the KPI reports have been verified by the Sector Departments and referred back to the PPMUs, The PPMUs are required to forward the verified provincial and municipal KPI reports to the National MI Unit within 10 days.
- The National MI Unit must consolidate the provincial KPI reports and submit the National KPI report within 10 days to the Executive Manager.
- The National MI Unit will publish the document by the end of the third month after the quarter.



### 7.3 ANNUAL REPORT

The receiving officer (Municipal Manager) must, within two months after the end of the financial year and where relevant the municipal financial year, evaluate its performance in respect of programmes funded or partially funded by an allocation and submit such evaluation to the transferring national officer (dplg). (Division of Revenue Act 2 of 2006, Chapter 4 section 26 (5))

The National MIG Management Unit will compile, on an annual basis, a report on the achievements of the programme in general over the past financial year. This report will be a consolidated report of:

- The quartely KPI reports
- The two social and economic impact reports

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## 8. MIG NATIONAL FUND ADMINISTRATION SYSTEM

The funds for MIG will be appropriated to **dplg's** budget and **dplg** remains overall responsible for the disbursement of funds to municipalities.

The multi-year formula based allocation will be calculated to provide funds to all Metropolitan and Local Municipal areas.

The allocation, which each municipality will receive, is based on the following parameters:

- Backlogs in specific services
- Poverty
- Identification of a node.

Once the allocations had been gazetted, the EMM will forward a "Letter of Allocation" to the recipient municipalities.

The letters of allocation should at least include information on the following:

- Overview of the MIG programme
- MIG allocation to municipalities
- Requirements of PMUs business plan
- Special Municipal Infrastructure Fund (SMIF)
- Indicative allocations for the remainder of the MTEF period
- Conditions

The **dplg** would only transfer funds once the recipient municipality has submitted their signed "Certificate of Acceptance and Compliance" in respect of the MIG.

The recipient municipalities must comply with the following conditions stipulated in the DORA framework:

- Prioritise residential infrastructure projects in line with any MIG or sector department's policies before the start of the municipal financial year
- The Municipal Council must approve their three-year capital plan linked to its IDP and budget no later than June. The budget must reflect the operation and maintenance costs of the three and beyond
- District Municipalities must provide detail information by June on expected transfers to the local municipalities, as well as any information on projects undertaken directly by the District Municipalities.
- All committed MIG projects must be prioritised
- To adhere to the labour-intensive construction methods in terms of the Expanded Public Works Programme (EPWP) guidelines agreed between the Department of Public Works, National Treasury and SALGA, for at least low-volume roads, sidewalks, storm water drainage, trenching etc.
- Provide quarterly reports on budget and project implementation.

The funds for the MIG Conditional Grants would be disbursed as follows:

## **8.1 MUNICIPAL INFRASTRUCTURE GRANT (MIG)**

Funds would be disbursed by **dplg** to recipient municipalities according to payment schedule. MIG funds could only be utilised on projects once the projects are registered and signed-off on the MIS by the SMM in conjunction with the SMF.

### **8.1.1 Recipient Municipalities**

The recipient municipalities must compile and submit the following to the PPMU:

- Cover letter from municipal manager
- Certificate of expenditure and revenue **signed by the Municipal Manager**
- Copies of the proof of payments (1084's)
- Copies of progress payment certificates of contractors
- Copies of professional fee claims of consultants.

These documents must be submitted to the PMU no later than the 3<sup>rd</sup> of the month.

It is important to note that the request for drawdown of funds would occur as per the schedule and actual expenditure and proof of payment (1084's) must be reported on a monthly basis.

### **8.1.2 PMUs**

The PPMU will receive and verify the information signed by the municipal managers. Any discrepancies, errors and/or queries must immediately be forwarded to the municipal manager/s for rectification/clarification. The information must reach the PPMU not later than the 5<sup>th</sup> of each month.

The PMU manager will receive and verify the information and submit the consolidated draw down, signed by the municipal manager, with supporting documentation and submit to the Provincial MIG Management Unit no later than the 6<sup>th</sup> of each month. The PMU manager must also sign the certificates of expenditure and income.

Note: If the Municipality does not have a PMU, the municipality should perform the functions of a PMU, verify and submit all documentation directly to the Provincial MIG Management Unit.

### 8.1.3 Provincial MIG Management Unit (PPMU)

The Provincial MIG Management Unit will verify and reconcile the draw downs received from the various recipient PMUs in the province. Any discrepancies, errors and/or queries must immediately be forwarded to the PMU project manager/s for rectification/clarification.

A consolidated draw down will be compiled by the Provincial Programme Management Unit and submitted to the PMM for processing. The following documents will be submitted to the National MIG Management Unit not later than the 10<sup>th</sup> of the month:

- A cover letter from the Provincial MIG Management Unit with a summary of draw downs received from municipalities
- Certificates of expenditure and revenue must also be signed by the PMM.
- Copies of proof of payments (1084's)
- An updated proof of payment control sheet

### 8.1.4 National MIG Unit

The National MIG Unit will receive the consolidated draw down with supporting documentation from the Provincial MIG Management Unit not later than the 10<sup>th</sup> of the month. The National MIG Unit will then verify and reconcile the information against:

- National monthly DORA report
- **dplg's** BAS system
- Updated draw down control sheet on MIS.

The National MIG Unit will capture the new information on the MIS hereafter they will compile the following documents for each draw down received and submit it to the SMF, before the 12<sup>th</sup> of the month, for approval:

- Transfer payment for MIG memorandum
- Sundry payment advice
- The certificate of expenditure and revenue, as compiled and signed by the municipal manager, will be attached.

The National MIG Unit will update their proof of payment control sheet and file the copies of the proof of payments received.

The SMF must submit the drawdowns to the EMM for approval. After approval these documentation must be submitted, no later than the 15<sup>th</sup> of the month, to the **dplg** - Financial Administration Department for payment/transfer of funds.

On receipt of proof of transfer of funds from the **dplg** - Financial Administration Department, the National MIG Unit will fax the proof of transfer/s to the Provincial MIG Unit as well as recipient

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municipalities. The draw down control sheet on the MIS will also immediately be updated with latest proof of transfers received.

#### **8.1.5 Under spending at municipal level**

The National MIG Unit will identify, on an ongoing basis, based on monthly reports, any variances/regular/drastring under-expenditure. The following actions will be taken:

- Confirm the variances with the municipalities
- Write to the municipality on the 20<sup>th</sup> of each month about the variances explaining the implications thereof and the problems experienced with under expenditure. This will include possible withholding, stopping or re-allocation of funds.
- Copy the letter to the Provincial MIG Manager
- Reflect the variances in the monthly Division of Revenue Report
- Write a letter to National Treasury and Provincial Treasury regarding the variances, by the 30<sup>th</sup> of the month, reflecting the actions taken (such as delaying or withholding of transfers) to address the under-expenditure.

#### **8.1.6 Control measures for expenditures/transfers**

The National MIG Management Unit transfers funds to municipalities on a monthly draw-down basis.

The Provincial MIG Manager will submit requests for draw downs to the National MIG Management Unit at the latest the 10<sup>th</sup> of the month where after the National Unit will:

- Assess the expenditure of the municipalities against the transfers.
- If a municipality did not spend 60% of the amount previously transferred the amount still available on their books will be subtracted from their request for drawdown.

#### **8.1.7 Assist municipalities**

The National MIG Unit will identify municipalities with challenges / problem areas. Meetings will be arranged with all parties / stakeholders involved (Provincial MIG Manager, municipality, consultant, contractor), to discuss action plans in order to resolve problem areas. Feedback/follow-up will be necessary to determine if issues have been addressed successfully.

#### **8.1.8 Amendment of payment schedule**

The **dplg** may propose an amendment of a payment schedule of a conditional grant (excluding the equitable share): due to the

- (i) under-spending of funds
- (ii) under-performance; and or
- (iii) non-compliance with the conditions of an allocation

National Treasury should be informed about the change of the payment schedule. The National Treasury may amend any payment schedule in the interest of better debt and cash-flow management or to deal with financial mismanagement for allocations listed in schedule 2, 3, 4, 5 or 6 in terms of the relevant DORA for a particular year.

Any revision or amendment of a payment schedule must take reasonable account of the monthly spending on contractual commitments of municipalities and minimisation of risk and debt servicing costs.

#### **8.1.9 Procedure and process of amending payment schedules.**

The **dplg** must communicate to the relevant municipality the intention of amending a payment schedule and reasons for the proposed amendment of the payment schedule. Since there are 283 municipalities other mechanisms can be put in place, for example the department can compile a list of key indicators that automatically advises amendment of a payment schedule e.g. slow-spending in previous transfers (below 45/65%) or no spending, or non submission of fully completed monthly reports, violation of conditions of an allocation and so on. (*Choice to be made in consultation with Grant Managers*).

These indicators must be communicated to all municipalities well in advance to avoid delays in enforcement of the provision of the Act. However, municipalities must be advised of the amendment of the payment schedule when it is affected. Municipalities must be advised to voluntarily recommend amendment of their payment schedule if facing challenges on spending the grants for the purposes allocated for. A comprehensive action plan on how the municipality is and will be dealing with the challenges must be submitted by the municipality when voluntarily recommend an amendment to the payment schedule.

Where the **dplg** propose the amendment, the amended payment schedule must be accompanied by a detailed action plan on how the challenges of slow spending will be dealt with. Grant managers are strongly discouraged from making an amendment to the payment schedule on the same month when an allocation or portion of an allocation is due to be transferred. A proposal to amend a payment schedule must be submitted one month in advance. This will allow enough time for consultation and obtaining departmental support and National Treasury approval.

A proposal to amend a payment schedule must be accompanied by an Action Plan. The action plan that accompanies the proposal of amending a payment schedule must include.

- (1) Identification of challenges
  - Tender process too long
  - Capacity
  - Implementation challenges
  
- (2) Key players in the challenges above
  - Council
  - Municipal official,
  - Consultants,
  - Natural elements etc.
  
- (3) Possible solution
  - Short term
  - Long Term
  
- (4) Action plan
  - Tasks
  - Responsible people and
  - Proposed action dates
  - Proposed completion time.

The above action plan may also be used as soon as slow spending in a municipality is detected and well before amendment of payment schedules. An amendment of a payment schedule may be to effect advancement of transfers or shifting of transfers to earlier or later dates respectively. All correspondence to National Treasury, provinces and municipalities with regard to the Division of Revenue Act must be documented and filed for compliance purposes.

#### **8.1.10 Withholding of payments**

The National Transferring officer may withhold transfers to municipalities if the municipality does not comply with the provisions of the Division of Revenue Act or if expenditure on previous transfers during the financial year reflects significant under spending, or which no satisfactory explanation is given. In other words **dplg** will withhold transfers to municipalities based on the following reasons:

- Non-compliance with the provisions of the Act

- Under spending of approximately 60 percent of transferred funds with no satisfactory reasons given.

#### **8.1.11 Process and procedure of withholding of payments**

The **dplg** would with hold the transfers to municipalities to:

- Enforce compliance with the provisions of the Act.
- Enforce compliance with the conditions of the allocation as provided for in the grant framework
- To encourage spending

The **dplg** must compile facts reflecting non-compliance with the conditions of the grant as set out in the Act and or in the grant framework. The municipality must be given a written notice of the intention of withholding of an allocation seven days before the transfer is due. The municipality must be requested to give written submission within the seven days to give reasons why the allocation may not be withheld. If reasons given are reasonable the allocation must be disbursed and if not the allocation must be withheld and an amendment to the payment schedule be proposed and submitted to National Treasury.

For withholding of an allocation for a period more than 30 days but less than 120, an approval must be sought from National Treasury. A submission must be written and all supporting documents (correspondence, non-compliance with the provision of the Act and or conditions of the grant).

#### **8.1.12 Stopping of payments**

The National Treasury may stop the transfers to municipalities if there is persistent and material non-compliance with the provisions of the Division of Revenue Act or a conditions to which the allocation, as provided for in the relevant framework is subject, or if the national treasury anticipates that a municipality will substantially under spend on that allocation in the financial year. Refer to the current Division of Revenue Act for details.

#### **8.1.13 Process of Stopping an allocation**

Only National Treasury can stop an allocation on grounds of persistent and material non-compliance with the provisions of the Act or conditions of a grant and for envisaged substantial under-spending (the latter applies to Infrastructure Grants).

Where the **dplg** believes that an allocation must be stopped, National Treasury may be requested to apply the relevant DORA of a particular year. The submission to National Treasury should follow the same process and procedure as that of withholding an allocation or portion of an allocation.

#### **8.1.14 Non-compliance**

Any serious or persistent non-compliance with the Division of Revenue Act constitutes financial misconduct and **dplg** would therefore seek National Intervention to attend to these incidents. This includes under-expenditure and non-compliances such as late or no submission of reports or information. (Also refer to the Local Government: Municipal Finance Management Act and sections 38, 39, 40 and 86 (1) of the Public Finance Management Act).

### **8.2 RE-ALLOCATION OF MIG FUNDS**

The National Treasury may, where it stops the allocation determine that a portion or the full allocation that will be under spent be reallocated to one or more municipalities on condition that the allocation that the allocation will be spent in the financial year. Refer to the current Division of Revenue Act for details.

## **9. MIG MANAGEMENT INFORMATION SYSTEM (MIS)**

The MIG Management Information system (MIS) is a comprehensive management tool that provides integrated management reports on aspects such as progress and expectations, actual outputs against targeted output, finances and cash flow. The system enables the users the management of many different business processes in a consolidated way. The number of different information/data capturing forms in the MIS follows the logical progression of MIG project through its life cycle.

MIS interfaces directly with the day-to-day operational aspects of each process. It maintains a cohesive database, integrating information from all the business processes required for comprehensive organisation management.

MIS provides municipalities with a tool for controlling their own programmes while at the same time providing consolidated reporting of financial, progress and performance indicators on a provincial and national scale.

The important benefit with this approach is that only information relevant to the specific phase will be recorded. Static information from one reporting period to another will also be pre-printed on the forms and the unnecessary capturing of known information will be prevented in this way.

The proposed MIS forms, to be completed by the PMU/municipalities at certain stages of the project life cycle that will be used throughout the project life cycle, are as follows:

### **9.1 PRELIMINARY PHASE**

The relevant forms as specified in the sections below.

### 9.1.1 Project Registration Form

The sector departments must participate in the IDP process. The project registration form must be completed once the municipalities / relevant PMU have prioritised the projects to be implemented. This form will be submitted to the National MIG Unit for registration of the project.

The table below details the method to be followed to ensure the proper evaluation, control and filing of a Project Registration form.

<b>Evaluation of a project registration form</b>	
1.	Check MIS on a daily basis in order to see whether there is any new Project registration forms, additional funding requests or changes.
2.	Print out Project registration form from MIS.
3.	Create Project file and place registration form on file.
4.	<p>Check status of project on MIS            Check if project is signed off and authorised at PMUI level on MIS            Check if project name and number on file correlate with information on MIS            Check if all necessary fields on Project registration form is completed            Check if project description and motivation correlate and if project qualifies for funding in terms of MIG requirements            Check following fields in particular:</p> <ul style="list-style-type: none"> <li>• Breakdown of funds</li> <li>• Labour Intensive project (EPWP)                      Yes / No</li> <li>• Average project wage rate</li> <li>• Beneficiaries</li> <li>• Funding (MIG, public and/or private sector)</li> <li>• Employment generation               <ul style="list-style-type: none"> <li>○ Women</li> <li>○ Youth</li> <li>○ Disabled</li> </ul> </li> <li>• Number of persons employed</li> <li>• Person days of employment generation</li> <li>• Planned training activities per module of training</li> <li>• Operation and maintenance budget</li> <li>• Outputs and other targets</li> <li>• Budget control</li> <li>• Declaration on standard conditions</li> </ul>
5.	<p>See if the following documentation has been provided by the PMU:</p> <ul style="list-style-type: none"> <li>• Council Resolution</li> <li>• DWAF Technical Report (only for Water, Sanitation and Waste Disposal projects).</li> </ul>
6.	If above has not been provided, contact PMU or Province requesting this

	information. Proceed with project registration once all of the documentation has been provided.
7.	Project Manager signs-off on MIS
8.	Submit project file to Secretary for information control and tracking.
9.	Secretary submits files to SMM for sign-off purposes on MIS.

During evaluation, if found that there is non-compliance to MIG criteria or outstanding information, a letter will be written to the PMU explaining the situation.

This form will be the baseline against which the implementation of the project will be measured (e.g. financial matters, achievement of KPIs and scope of work).

## **9.2 PRE-IMPLEMENTATION PHASE (DESIGN & TENDER)**

### **9.2.1 Register consultant**

This form is to be completed once the Municipality has appointed project consultants.

**Note:** Consultants appointed on Labour Intensive Projects (EPWP) must take note of the specific requirements according to the SETA NQF qualifications framework for labour-intensive construction, learning guides, learning programmes and assessment instruments.

### **9.2.2 Request for payment from municipality (Design phase)**

This form is to be completed at the end of every month during which the project is being designed.

## **9.3 IMPLEMENTATION PHASE (CONSTRUCTION)**

### **9.3.1 Register contractor**

This form is to be completed once the Municipality has appointed the successful tenderer, based on the consultant's tender evaluation and recommendation.

**Note:** Contractors appointed on Labour Intensive Projects (EPWP) must take note of the specific requirements according to the CETA NQF qualifications framework for labour-intensive construction, learning guides, learning programmes and assessment instruments.

### **9.3.2 Request for Payment (Construction phase)**

This form is to be completed at the end of every month during which the project is under construction (contractor's progress certificates and/or consultant professional fee claims).

### **9.3.3 Physical Completion Report**

This form is to be completed after the physical completion certificate has been issued (site handover).

### **9.3.4 Request for Payment (Retention)**

This form is to be completed when the retention funds of the project become due (expiring of the defect liability period).

The successful implementation of the system depends on quality information and ownership of the system by its users

## **10. GENERAL FILING AND BACKUP PROCEDURES**

### **10.1 BACKUPS**

This paragraph covers the method to be followed to store backups of computer information.

- a) A backup shall be made at least once every month of all computers in the office and those in the personal possession of each staff member, which contain MIG related information.
- b) Backups shall also be made to the network drive of the **dplg**

### **10.2 PROJECT FILES**

The National MIG Unit must ensure that all documentation relevant to the MIG programme be filed in such a manner so as to enable any member of the Management Unit, to quickly and accurately access any required documentation at any time.

The National MIG Unit must keep record of all the projects registered on the MIS and signed-off by the SMM in conjunction with the SMF.

For each project a file must be opened on which the following documentation must be filed and updated on a regular basis:

- Project registration form signed by the Municipal Manager together with supporting documentation (eg. council resolution)
- Correspondence from sector departments such as DWAF, DPW, DME, DoT, DoH, DSRSA etc.
- DWAF's response with the regard to the Technical Report submitted
- General correspondence between the relevant role-players

### **10.3 MINUTES**

The following documentation must be filed per province:

- Signed copy of the minutes



- Agenda
- Attendance register
- All relevant documentation received at the meeting.
- Quarterly Workshop minutes

#### **10.4 REPORTS**

The following reports must be filed:

- Quarterly KPI
- Quarterly Workshop
- ISRDP & URP
- Monthly DORA
- Ad-hoc reports

#### **10.5 FINANCIAL ADMINISTRATION SYSTEM**

##### **10.5.1 Submission of Draw downs**

The following documentation must be filed in the Provincial Financial file per month:

- Transfer of payment MIG Memorandum
- Sundry payment advice
- Certificate of Expenditure & Revenue (received from PMU)
- Proof of Transfer of funds
- Draw downs control sheet on the MIS
- Dora report

##### **10.5.2 Proof of Expenditure (1084's)**

The following documentation must be filed in the Provincial 1084's file per month:

- Proof of payment control sheet (received from PMU)
- Proof of expenditure.

#### **10.6 SERVICE LEVEL AGREEMENTS**

The Service Level Agreements between the District Municipalities and Local Municipalities must be filed per province in the Service Level Agreements file.

Municipalities should send letters of acceptance of the MIG conditions on receiving MIG funds.